


TEAM BALTIMORE



PARKING
OF BALTIMORE CITY
AUTHORITY

ANNUAL REPORT 2005



The Parking Authority has met, and continues to meet, the challenges of professionally managing Baltimore's parking assets and providing parking solutions.



MESSAGE FROM
MAYOR MARTIN O'MALLEY

Five years ago, I asked a small group of parking professionals to manage Baltimore's parking assets and come up with a set of parking solutions for our great city—and this was no easy task.

Parking problems had developed in Baltimore due to the shortage of spaces in the Central Business District and in neighborhoods throughout the city. Moreover, city-owned parking facilities were in dire condition. They were dirty, poorly lit and unsafe—with elevators and parking control equipment in a state of constant disrepair.

And as new residents moved into our neighborhoods and businesses grew, it became clear that the demand for parking solutions was growing just as quickly as our community was. We needed answers—and it would be the Baltimore City Parking Authority's job to provide them.

It is now five years later, and I'm proud to say that the Parking Authority really came through:

- › The Parking Authority worked to increase the number of parking spaces in our city by supporting the construction of five new city parking garages and encouraging the construction of privately owned garages all around Baltimore.
- › The Parking Authority partnered with Baltimore's neighborhoods to identify small and large scale parking solutions. And they've overseen a tremendous growth in residents'

participation in the city's Residential Parking Permit (RPP) programs through professional and customer-oriented administration.

- › City-owned parking facilities are now acknowledged locally and nationally as models of cleanliness and safety—and also for the use of the latest in parking technology to maximize utilization of those facilities, control the collection of revenues and maximize the return on city investments.

Today, Baltimore is on the cusp of major growth and development—and with that growth, will inevitably come new parking challenges. I'm proud of the progress the Baltimore Parking Authority has made in the last five years, and I'm fully confident they'll be ready and willing to take on whatever lies ahead in the future.

Sincerely,

A handwritten signature in black ink, reading "Martin O'Malley". The signature is stylized with a large, looping "M" and "O".

The Honorable Martin O'Malley
Baltimore, Maryland



MESSAGE FROM

OUR BOARD OF DIRECTORS

The Parking Authority of Baltimore City is a young organization at only five years of age, but we are proud of the accomplishments of the organization over that period. The Parking Authority team has taken on the mission of managing the City's parking assets and developing parking solutions for Baltimore, and has succeeded in every respect.

Board of Directors

(from left to right in photo above)

David Wallace, P.E.

Partner – Rummel, Klepper & Kahl
Chair

Bernard "Jack" Young

12th District Councilman – City of Baltimore
Board Member

Swata Shea

Corporate Associate – Venable, LLP
Board Member

Edward Gallagher

Director of Finance – City of Baltimore
Board Member

James H. Fields

Principal – Jones & Associates
Board Member

Previous Board Members

Richard C. Mike Lewin

Secretary
Dept. of Business & Economic Development
Board Member Term Expired 06.02

Carmina Perez-Fowler

Attorney – Maryland Dept. of Transportation
Board Member Term Expired 06.02

Peggy Watson

Director of Finance – City of Baltimore
Board Member Term Expired 06.05

John L. Cain

1st District Councilman – City of Baltimore
Board Member Term Expired 12.05

Under the professional administration of the Parking Authority, Residential Permit Parking (RPP) programs have grown by leaps and bounds.

- › 5 new Residential Permit Parking areas have been added over the last 5 years.
- › 54 additional block faces have become part of the RPP programs.
- › There has been a **93% increase** in the number of residents taking part in the RPP programs over the past 3 years.

Parking meter revenues have increased as a result of bringing new parking meter technology to Baltimore. A mere seventy (70) multi-space parking meters were introduced in May of 2004 as part of a pilot program, but the financial results were astounding—revenues from parking meters **increased by nearly half a million dollars**, a full 10% increase in meter revenues, in fiscal year 2005 compared to fiscal year 2004.

The Parking Authority has played a major role in stemming the downtown "parking crisis" of five years ago. We have been involved in the City's development of five (5) new parking facilities—**adding 2,326 parking spaces to the City's inventory.**

The Parking Authority gained oversight of the City's parking facilities five years ago. At that time, City-owned garages and lots were in a state of disrepair and were not being managed to their full potential. Today, those same garages and lots are model parking operations. Improvements include:

- › Better lighting
- › Security cameras
- › Secured pedestrian access points
- › Regular, thorough cleanings
- › Preventative maintenance on all systems
- › State-of-the-art revenue and access control systems

These improvements have resulted in much higher levels of use and much higher revenues. **Gross revenues from parking facilities operations have increased by 49% over the past 5 years, meaning that the City is realizing \$6.1 million in additional revenues from its parking assets.**

The Parking Authority is a dedicated team of parking professionals devoted to the management of Baltimore's Parking assets, and to solving parking problems as they arise. The positive results of the past 5 years have laid the path for even greater success in the future.



The Parking Authority of Baltimore City will build on its successes of the past 5 years. We will continue to be leaders in the use of technology and new ideas to better manage Baltimore's parking assets and to address parking issues.



LOOKING AHEAD

IMPROVED RESIDENTIAL PERMIT PARKING PROGRAMS

We will be improving the website, software and support for this program to make it even easier for residents who participate in this program to get their permits.

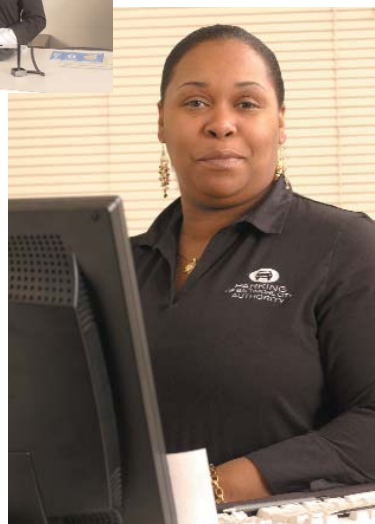
MULTI-SPACE PARKING METERS

We will expand the use of multi-space parking meters so that Baltimore reaps the benefits they provide:

- › More parking spaces per block
- › More beautiful streetscapes
- › More control over meter revenue
- › More meter payment options = convenience for parkers

SECURITY CAMERAS

We are installing more and better security cameras in our garages.



In July 2003, the Parking Authority of Baltimore City (PABC) embarked on a vision to use modern technology to enhance the Residential Permit Parking Program (RPP). When on-line services were first offered 45% of residents in RPP programs used the services—now, **over 93% of residents in RPP programs utilize our on-line services!**

PABC's on-line service is user-friendly, self-service and allows the customer direct access, one-on-one communication with trained, professional staff and, ultimately, better control of an account. Customers may log on from any computer, given they have established a log-in with an e-mail address at: www.info@baltimoreprefparking.com.

The Permit Section is also responsible for several other Parking Permits Programs including: Residential Handicapped Reserved Space Signs and Permits; Official Business Permits; and Church Permits.



1ST CHIP COIN INSTALLED IN U.S.

The Parking Authority of Baltimore City is the first garage owner/manager in the United States to purchase a Chip Coin Pay-on-Foot system—for our Little Italy Garage. The Chip Coin system replaces a paper ticket, which is customarily used in the parking industry, with a plastic chip that is the shape and size of a quarter. Embedded inside the Chip Coin is an RF Transponder, the same technology used inside a HID proximity card. The benefit of the Chip Coin system is the reduction of overall costs. The cost savings is seen in consumable products (paper tickets), maintenance, and actual manufacturing savings. We continue to look for innovative technology to keep the City of Baltimore at the forefront of the parking industry.



HYBRID DISCOUNT PARKING PROGRAM

We announced our Hybrid Vehicle Parking Program in October 2005. The program allows owners of select hybrid vehicles to receive a 50% discount on their monthly parking rates at off-street City parking facilities. This is our way of helping to promote the use of less-polluting, more energy-efficient vehicles in Baltimore.



NEW ADDITIONS TO OUR PORTFOLIO

The Parking Authority opened our newest facility, The Fleet & Eden Garage, in September 2005. It is a five level parking facility with 848 parking spaces. We look forward to adding to our portfolio with the upcoming Charles Village Garage and others in planning stages. We will continue to plan for and develop parking facilities that address the parking concerns of the residents and businesses of Baltimore and visitors to our City.

FINANCIAL STATEMENTS JUNE 30, 2005



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Baltimore City Parking Authority, Inc.

We have audited the accompanying financial statements of the governmental activities and fund information of the Baltimore City Parking Authority, Inc. (Authority) as of and for the year ended June 30, 2005, which collectively comprise the Authority's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and fund information of the Authority as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis and budgetary comparison information on Pages 10 through 13 and 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Ellin & Tucker, Chartered

ELLIN & TUCKER, CHARTERED
Certified Public Accountants

Baltimore, Maryland
August 12, 2005

MANAGEMENT'S DISCUSSION & ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's basic financial statements consist of the Governmental Fund Balance Sheet/Statement of Net Assets and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities. Notes to Financial Statements follow the presentation of the basic financial statements. The report also contains other required supplementary information, primarily a Budgetary Comparison Schedule.

The Governmental Fund Balance Sheet/Statement of Net Assets is presented in reconciliation format and shows the difference between the assets and liabilities of the Authority as reported using the current financial resources measurement focus and the modified accrual basis of accounting (Balance Sheet) and assets and liabilities as reported using the total economic resources measurement focus and the accrual basis of accounting (Statement of Net Assets). For the Authority, the differences related primarily to capital assets and the related capital lease obligation which are reflected as assets and liabilities on the Statement of Net Assets but are excluded from general fund assets and liabilities.

The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities is also presented in reconciliation format and shows the differences between revenues and expenditures as reported using the current financial resources measurement focus and the modified accrual basis of accounting (Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance) and revenues and expenses as reported using the total

economic resources measurement focus and the accrual basis of accounting (Statement of Activities). The primary differences relate to the treatment of capital asset purchases and debt repayments. For governmental fund accounting purposes, all cash payments for capital asset acquisitions and debt repayments are reflected as expenditures and deducted from revenues in calculating the net fund activity for the year. Under accounting principles generally accepted in the United States of America, capital asset acquisitions and the related debt repayments are not reflected in the Statement of Activities as a deduction from revenues but are reflected as increases to assets or reductions of liabilities.

Generally, fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources segregated by specific activities or objectives. The Authority's financial activity is classified into one fund—the general fund. The general fund accounts for capital asset acquisitions as expenditures when acquired, rather than as capital assets as a result of the use of the current financial resources measurement focus in accordance with generally accepted accounting principles.

The Notes to the Financial Statements provide additional information needed for a full understanding of the basic financial statements.

Required supplementary information consists of a comparison of actual financial activity to budgeted amounts to demonstrate compliance with the budget.

ANALYSIS OF
NET ASSETS
AND CHANGES
IN NET ASSETS

The following is a comparison summary of the Authority's net assets and changes in net assets for the years ended June 30, 2005 and 2004.

	2005	2004
<u>ASSETS</u>		
Current and Other Assets	\$ 53,020	\$ 154,745
Capital Assets	179,218	194,589
Total Assets	\$ 232,238	\$ 349,334
<u>LIABILITIES</u>		
Current Liabilities	\$ 357,736	\$ 231,910
Long-Term Liabilities	-	18,568
Total Liabilities	\$ 357,736	\$ 250,478
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 159,280	\$ 160,286
Unrestricted	(284,778)	(61,430)
Total Net Assets	\$ 125,498	\$ 98,856
<u>CHANGES IN NET ASSETS</u>		
<i>Program Revenues:</i>		
Baltimore City Grant	\$ 1,600,000	\$ 1,600,000
Other	1,887	5,196
Total Revenues	\$ 1,601,887	\$ 1,605,196
<i>Expenses:</i>		
Salaries and Benefits	\$ 1,062,853	\$ 989,075
Professional Fees	514,789	409,912
Rent and Utilities	55,284	61,606
Depreciation	48,141	42,338
Other Operating Expenses	145,174	61,625
Total Expenses	1,826,241	1,564,556
Increase (Decrease) in Net Assets	\$ (224,354)	\$ 40,640
Net Assets – Beginning of Year	98,856	58,216
Net Assets – End of Year	\$ (125,498)	\$ 98,856

For the year ended June 30, 2005, the Authority received substantially all of its funding from an annual grant from the City of Baltimore. The purpose of the grant was to finance the administration of the City's parking operations through the Authority and cover all of the Authority's personnel costs, capital asset requirements, and other operating costs. The grant for the year ended June 30, 2005 was \$1,600,000. Operating expenses for the year ended June 30, 2005 totaled \$1,826,241 resulting in a deficit of approximately \$224,000. The deficit was primarily the result of unanticipated costs associated with the Multi-Space Meter Program which were not recovered by the Authority. Total operating expenses increased approximately \$262,000 during the year ended June 30, 2005 as compared to the year ended June 30, 2004. The increase was due primarily to higher salary and benefit expense, legal fees and bank and armored car service fees.

The increase in salary and benefit expenses relates to higher insurance benefit costs and general salary increases. Legal fees increased due to greater participation of legal counsel in personnel policy and other general matters as well as matters including an action against a garage operator. The bank and armored car service fees relate to the collection of revenue from the Multi-Space Meter Program which began in fiscal year 2005.

During the year ended June 30, 2005, the Authority purchased computer equipment and made other office improvements of approximately \$33,600. At June 30, 2005, the Authority had a capital lease obligation totaling \$19,938, which is due within the next 12 months, and other liabilities totaling \$337,798. These liabilities are expected to be funded through collections of accounts receivable, future grants, and other income.

BUDGET ANALYSIS

The Budgetary Comparison Schedule for the fiscal year ended June 30, 2005 (2005) is presented on Page 19. The most significant budget variations included salaries and benefits, consultant fees, legal fees, bank and armored car service fees, and computer and other services.

Salaries and benefits, which include base salaries and benefits, and health insurance costs, were \$164,000 less than expected. The Authority budgeted for three additional staff positions in 2005; however,

due to more effective utilization of existing personnel, the additional positions were not created. The executive director position was vacated for three months.

Expenditures for legal services exceeded the budgeted amount by approximately \$97,000. Legal services were needed for certain unanticipated matters due to the vacancy in the executive director position for part of the fiscal year. In the absence of the executive director, legal counsel was involved in various operational

FISCAL YEAR
ENDING
JUNE 30, 2006

matters and decisions, interaction with the Board of Directors, and other day-to-day matters.

Consultant expenses exceeded budgeted amounts by approximately \$118,000. The Authority utilized consulting services for the Residential Parking Program and the Multi-Space Meter Project. In addition, the Authority incurred computer consulting costs for ongoing computer and network

maintenance as well as costs to maintain credit card systems.

The bank and armored car service fees of approximately \$98,000 were not budgeted for in 2005. Fees for the collection of revenue from the Multi-Space Meter Project were not contemplated in the budget as it was anticipated such costs were to be funded directly by the City.

The budget for the fiscal year ending June 30, 2006 (2006) has been submitted to the Baltimore City Board of Estimates in the amount of \$2,026,050 which represents an increase of \$426,000 in funding level compared to the fiscal year ended June 30, 2005.

Funding for 2006 includes the following:

Base Level	\$ 1,600,000
Base Level Increase	200,000
Meter Pilot Program	<u>226,050</u>
Total	<u>\$ 2,026,050</u>

During 2006, the Authority anticipates it will enter into the next phase of the expansion of the meter program which includes installation of 350 additional meters throughout the City at a cost of approximately \$4 million. Over the next several fiscal years, the Authority anticipates the installation of approximately 600 new multi-space meters. The City has appropriated funds in the amount of \$4 million to cover the

purchase and installation of the 350 new multi-space meters in 2006, but the Authority will continue to be responsible for funding certain administrative costs of the Program. The increase in the base level budget was to fully fund new positions and continue the multi-space meter expansion program.

The Authority is currently in the process of exploring the acquisition of upgraded software for the Residential Parking Program. The software is expected to help the Authority manage the Program more efficiently and better serve the citizens of the City of Baltimore. A Request for Proposal for the software was issued in 2005. The Authority expects to select a product in early 2006 with implementation to be completed by the beginning of 2007.

The management team of the Authority is committed to introducing new technology and other methods to increase revenues for the City and providing outstanding customer service to all City patrons.

GOVERNMENTAL FUND
BALANCE SHEET/
STATEMENT OF
NET ASSETS
JUNE 30, 2005

	General Fund	Adjustments (Note 5)	Statement of Net Assets
ASSETS			
Cash and Cash Equivalents	\$ 4,911	\$ -	\$ 4,911
Accounts Receivable - Baltimore City	48,109	-	48,109
Capital Assets, Net (Note 2)	-	179,218	179,218
Total Assets	\$ 53,020	\$ 179,218	\$ 232,238
LIABILITIES			
Accounts Payable	\$ 146,337	\$ -	\$ 146,337
Accrued Expenses	191,461	-	191,461
Capital Lease Obligation (Note 3)	-	19,938	19,938
Total Liabilities	\$ 337,798	\$ 19,938	\$ 357,736
COMMITMENTS (NOTE 4)			
FUND BALANCES			
General Fund Balance (Deficit)	\$ (284,778)	\$ 284,778	\$ -
Total Liabilities and Fund Balances	\$ 53,020	\$ -	\$ -
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	\$ -	\$ 159,280	\$ 159,280
Unrestricted	-	(284,778)	(284,778)
Total Net Assets	\$ -	\$ (125,498)	\$ (125,498)

STATEMENT OF
GOVERNMENTAL FUND
REVENUES, EXPENDITURES,
AND CHANGES IN FUND
BALANCE/STATEMENT
OF ACTIVITIES
FOR THE YEAR
ENDED JUNE 30, 2005

	General Fund	Adjustments (Note 5)	Statement of Activities
EXPENDITURES/EXPENSES			
Administration of Parking Facilities	\$ 1,778,100	\$ -	\$ 1,778,100
Capital Outlay	32,770	15,371	48,141
Debt Service	14,365	(14,365)	-
Total Expenditures/Expenses	\$ 1,825,235	\$ 1,006	\$ 1,826,241
PROGRAM REVENUE			
Grant Revenue - Baltimore City	\$ 1,600,000	\$ -	\$ 1,600,000
Other Income	1,887	-	1,887
Total Revenue	1,601,887	-	1,601,887
Excess (Deficit) of Revenue over Expenditures	(223,348)	223,348	-
CHANGE IN NET ASSETS	\$ -	\$ (224,354)	\$ (224,354)
FUND BALANCE/NET ASSETS			
Beginning of Year	(61,430)	-	98,856
FUND BALANCE/NET ASSETS			
End of Year	\$ (284,778)	\$ -	\$ (125,498)

NOTES TO FINANCIAL STATEMENTS

1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Baltimore City Parking Authority, Inc. (Authority) was created in 2000 by Baltimore City Ordinance 2000-71. The Authority's purpose is to assist Baltimore City (City) in the planning, development, management, and administration of its parking assets. The Authority does not own any parking facilities or other real property. The Authority's main source of revenue is a grant from the City rather than parking receipts. The grant is intended to fund all operating expenses of the Authority.

The Board of Directors of the Authority consists of five members, four of which are appointed by the Mayor of Baltimore City and confirmed by the City Council, and one who is a member of the City Council appointed by the City Council President.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The Authority's main source of revenue is a single grant from the City; therefore, all assets, liabilities, revenues, and expenses/expenditures are accounted for in a governmental fund.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as

expenditures related to certain other obligations including capital lease obligations, are recorded only when payment is due.

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Amounts reported as program revenues primarily include the operating grant from the City.

The Authority follows Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" (GASB 34) and GASB Statement No. 38, "Certain Financial Statement Note Disclosures" (GASB 38). GASB 34 requires that net assets be classified as restricted, unrestricted, or invested in capital assets and requires presentation of a Management's Discussion and Analysis section to introduce the basic financial statements. GASB 34 and GASB 38 require certain expanded footnote disclosures.

BUDGETARY INFORMATION

The annual budget of the Authority is subject to approval by the City's Board of Estimates. The budget serves as the basis for determining the grant from the City. Budgetary data is presented as required supplementary information for the general fund. The budget is adopted on a basis consistent with generally accepted accounting principles for the governmental fund.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

The Authority considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. The Authority maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits.

At June 30, 2005, the Authority's carrying value of cash and cash equivalents was \$4,911 and the bank balance was \$5,561. The difference between the carrying value and the bank balance is due to outstanding checks at June 30, 2005.

The Authority believes that the bank balance at June 30, 2005 falls within the limits of federal insurance coverage and thus considered low risk (Risk Category 1). Bank deposits are categorized to give an indication of the level of risk assumed by the Authority for such deposits. Risk Category 1 includes deposits that are insured or collateralized with securities held by the Authority or its

agent in the name of the Authority. Risk Category 2 includes deposits collateralized with securities held by the pledging institutions trust department or agent in the name of the Authority. Risk Category 3 includes deposits that are not collateralized. Category 1 deposits have the least risk to the Authority.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost and depreciated using the straight-line method over the useful lives, which ranges from 3 to 10 years, of the assets. It is the Authority's policy to capitalize property and equipment over \$500. Lesser amounts are expensed.

COMPENSATED ABSENCES

The Authority accrues a liability for compensated absences which consists primarily of accumulated vacation leave. The liability includes those amounts expected to be paid upon termination of employment or through paid leave time.

Capital assets of the Authority are as follows:

	Beginning of Year	Additions	Retirements	End of Year
<u>CAPITAL ASSETS</u>				
Computer Equipment	\$ 151,951	\$ 18,425	\$ 843	\$ 169,533
Office Equipment	57,160	1,298	-	58,458
Furniture and Fixtures	23,911	-	-	23,911
Leasehold Improvements	19,864	13,890	-	33,754
	<u>\$ 252,886</u>	<u>\$ 33,613</u>	<u>\$ 843</u>	<u>\$ 285,656</u>
<u>LESS:</u>				
<u>ACCUMULATED DEPRECIATION:</u>				
Computer Equipment	\$ 35,122	\$ 31,856	\$ 324	\$ 66,654
Office Equipment	14,234	10,199	-	24,433
Furniture and Fixtures	4,060	2,391	-	6,451
Leasehold Improvements	4,881	4,019	-	8,900
	<u>\$ 58,297</u>	<u>\$ 48,465</u>	<u>\$ 324</u>	<u>\$ 106,438</u>
Net Capital Assets	<u>\$ 194,589</u>	<u>\$ (14,852)</u>	<u>\$ (519)</u>	<u>\$ 179,218</u>

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CAPITAL LEASES

The Authority leases machinery and equipment under capital leases which expire at various dates through 2006. Future minimum lease payments under capital leases are as follows:

Year Ending June 30, 2006	\$ 21,143
Less: Amounts Representing Interest	<u>1,205</u>
Present Value of Lease Payments	19,938
Less: Current Portion	<u>19,938</u>
Long-Term Portion	<u>\$ -</u>

Information relating to equipment held under capital leases at June 30, 2005 is as follows:

	2005	2004
Equipment Held under Capital Lease	\$ 53,264	\$ 53,264
Less: Accumulated Depreciation	<u>23,578</u>	<u>13,853</u>
	<u>\$ 29,686</u>	<u>\$ 39,411</u>

For the year ended June 30, 2005, depreciation and interest expense related to the capital leases was \$9,725 and \$2,456, respectively. Long-term liability activity for the year ended June 30, 2005 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital Lease Obligation	\$ 34,303	\$ -	\$ (14,365)	\$ 19,938	\$ 19,938

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COMMITMENTS

The Authority leases office space from the City under a lease which expires in February 2008. The lease provides for rent abatement from March 2003 (lease inception) through February 2005. The Authority records the ratable portion of total lease payments over the lease term as rent expense. Rent expense recorded for the year ended June 30, 2005 was \$30,550.

Future minimum lease payments under operating leases are as follows:

Year Ending June 30,	2006	\$ 31,584
	2007	55,522
	2008	<u>47,876</u>

EXPLANATION
OF CERTAIN
DIFFERENCES
BETWEEN
GOVERNMENTAL
FUNDS FINANCIAL
STATEMENTS AND
GAAP FINANCIAL
STATEMENTS

**STATEMENT OF NET ASSETS AND GOVERNMENTAL
—FUND BALANCE SHEET**

The fund balance of the general fund differs from net assets reported in the Statement of Net Assets. The differences result primarily from the treatment of capital assets and capital lease obligations. When capital assets are used in governmental activities, the costs of the assets are reported as expenditures in governmental funds. However, the Statement of Net Assets includes those assets among the assets of the Authority. Long-term liabilities, including capital lease obligations, relating to the Authority's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the general fund. All current and long-term liabilities are reported as liabilities in the Statement of Net Assets.

**STATEMENT OF ACTIVITIES AND STATEMENT OF
GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE**

As noted above, outlays for capital assets to be used in governmental activities are reported as expenditures in the general fund; however, those expenditures are reported as assets, not expenses, in the Statement of Activities. Payments under the Authority's capital lease obligations are reported as expenditures of the general fund; however, the principal portion of such payments is reported as reductions of capital lease liabilities in the Statement of Activities. The interest portion of the lease payments is reflected in the Statement of Activities as a current period expense.

BUDGETARY COMPARISON
SCHEDULE - GENERAL FUND

FOR THE YEAR
ENDED JUNE 30, 2005

REVENUE

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Grant - Baltimore City	\$ 1,600,000	\$ 1,600,000	\$ 1,600,000	\$ -
Other	-	-	1,887	1,887
Total Revenue	\$ 1,600,000	\$ 1,600,000	\$ 1,601,887	\$ 1,887

EXPENDITURES

Salaries and Benefits	\$ 1,227,300	\$ 1,227,300	\$ 1,062,853	\$ 164,447
Telephones/Utilities/Internet	25,600	25,600	24,734	866
Vehicles/Travel	4,500	4,500	6,841	(2,341)
Business Machine Rental	18,500	18,500	26,595	(8,095)
Consultants	81,800	81,800	199,495	(117,695)
Legal	100,000	100,000	197,076	(97,076)
Printing	25,000	25,000	25,784	(784)
Bank and Armored Car Service Fees	-	-	97,887	(97,887)
Computer Maintenance	-	-	20,331	(20,331)
Other Services	24,400	24,400	49,496	(25,096)
Supplies	26,000	26,000	28,447	(2,447)
Equipment Acquisitions	24,000	24,000	32,770	(8,770)
Rent	25,400	25,400	30,550	(5,150)
Advertising	15,000	15,000	19,060	(4,060)
Dues/Subscriptions/Training	2,500	2,500	3,316	(816)
Total Expenditures	\$ 1,600,000	\$ 1,600,000	\$ 1,825,235	\$ (225,235)

RECONCILIATION OF
BUDGETARY EXPENDITURES
TO EXPENSES REPORTED
UNDER GAAP

Depreciation Expense (Net of Disposals) Not Included in Budget	\$ 48,141
Capital Asset Acquisitions Not Included in Expenses	(33,613)
Capital Asset Disposals Not Included in Expenses	843
Principal Portion of Capital Lease Payments Not Included in Expenses	(14,365)
Total Expenses	\$ 1,826,241



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